

# Balance Press Conference

Fiscal Year **2015**

## **AGENDA**

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- 2. Sales development for nobilia 2015**
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## **1. Total market for furniture and kitchens 2015**

In the past year the total market for furniture and kitchens has shown positive growth. This was evident at the International Furniture Fair in Cologne in January 2016 and is also now confirmed by the recently issued market figures for the furniture industry.

High levels of employment and low interest rates have without doubt contributed to a positive mood for the end consumer and ultimately for Germany's furniture manufacturers. As a result, the Association of the German Furniture Industry projects sales growth of around 5 % for the fiscal year 2015 for the total market of furniture, which was strongly influenced by moderate domestic growth and significantly increased sales volumes in the export markets.

This tends to also apply to the business trend for kitchen furniture manufacturers. As the trade associations report, German kitchen furniture manufacturers were able to profit from a growing domestic market, which was based on the great propensity of end consumers to buy durable products.

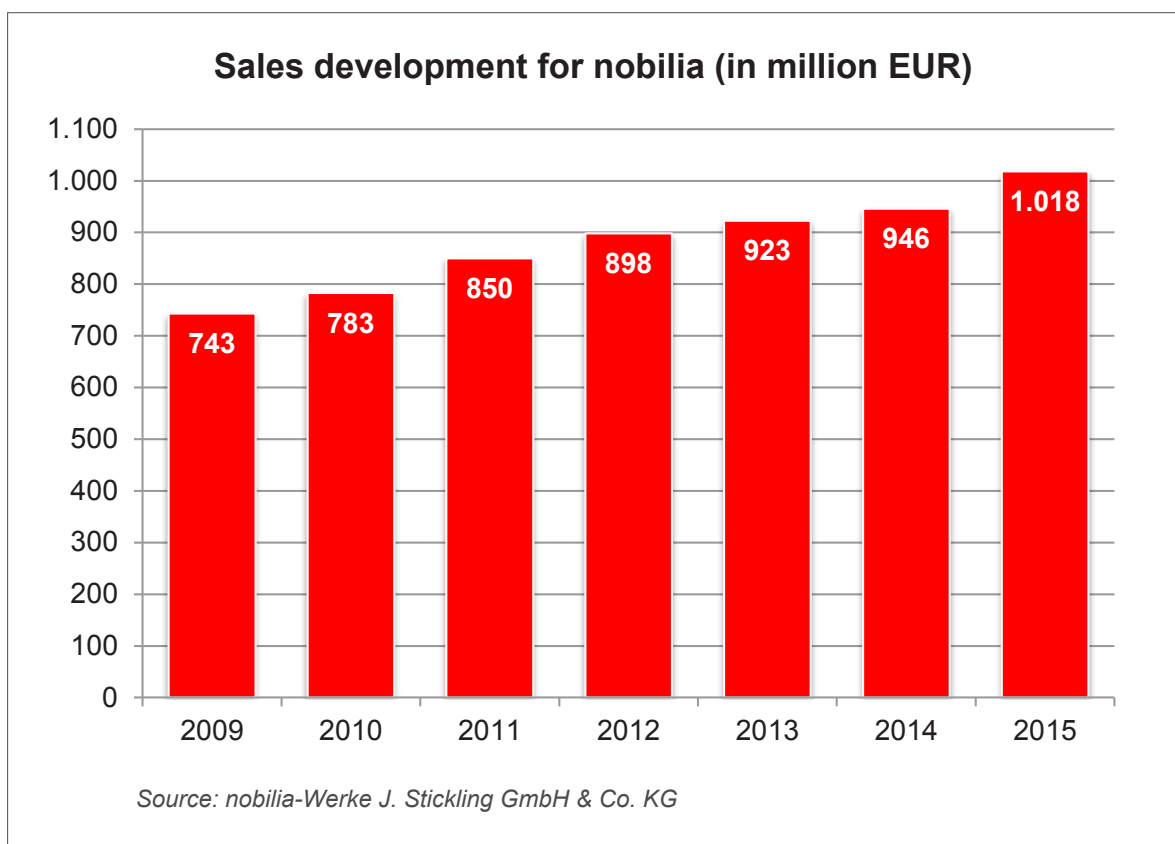
Growth in the export market was even stronger, and so the export ratio for the German kitchen furniture industry increased yet again. For this reason, the industry has a broad base established in the foreign markets and is able to absorb the fluctuations and risks of individual regional markets.

According to the most recent reports of the trade association, overall growth in the German kitchen furniture industry as of the end of November 2015 was 6.9 %.

## 2. Sales development for nobilia 2015

### 2.1. nobilia Overall

Again in 2015 nobilia was able to continue its trend of long-term development of organic growth.



With sales of 1,018.4 billion EUR in 2015, the sales “billion” was achieved for the first time and even significantly exceeded. After achieving sales of 946.2 million EUR in 2014, the resulting growth totalled 72.2 million EUR – equivalent to 7.6 %. With this, nobilia achieved consistent growth in sales for the 15th year in a row. Ultimately, nobilia confirmed its outstanding role as market leader in Germany and was able to further expand its dominant position in Europe.

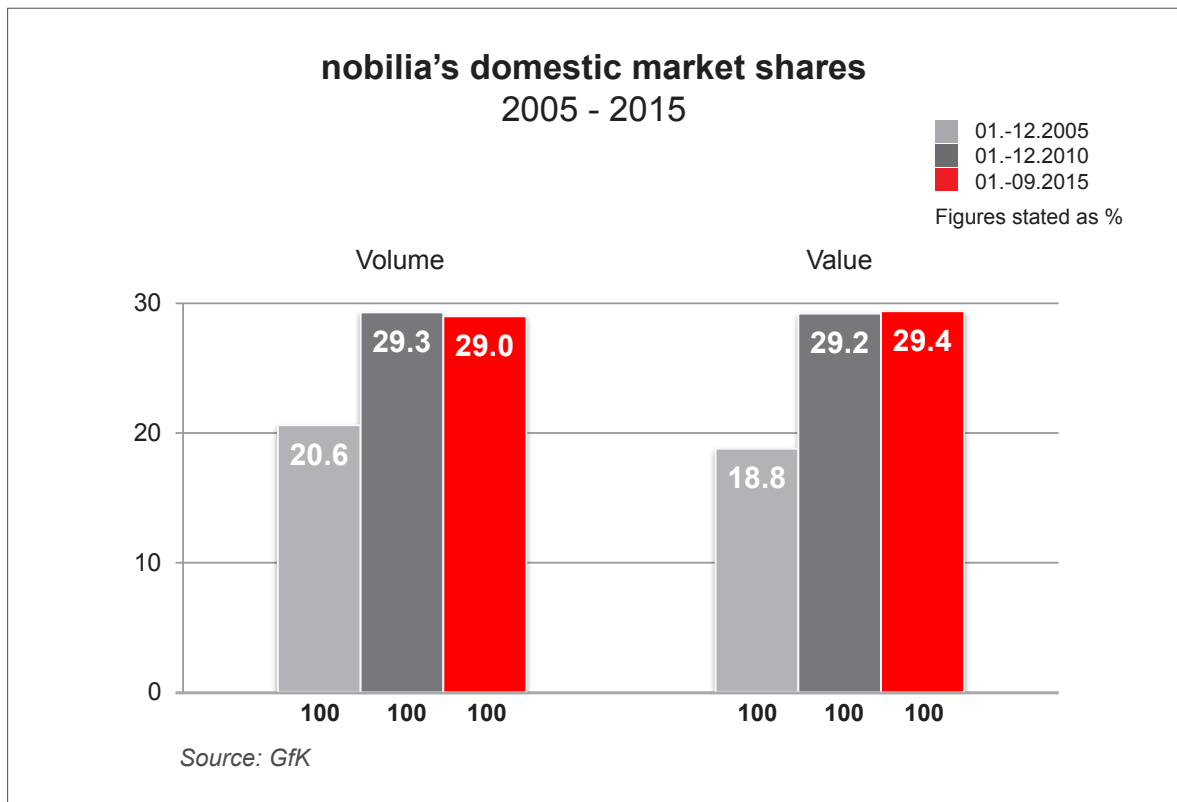
With roughly 630,000 kitchen commissions over the course of a year, or more than 2,870 commissions per working day, we have also achieved unprecedented growth in terms of manufacturing output.

As in previous years, the sales increase was primarily due to business with wooden parts. Consequently, production of wooden parts also increased. In 2015 over 6.3 million units and more than 1.5 billion worktops were produced. As a result of this, the two plants once again reached the limits of their technical capacities.

Trade in electrical appliances, which involved roughly one half of commissions, was more or less consistent. In this so-called complete marketing business nobilia has a strong position in the domestic market, that has been built up over many year. The export business has succeeded at progressively convincing even foreign customers of the logistical advantages – of purchasing the entire commission from a single source. The quick and easy processing of orders, the great value for money and the Internet-freedom of the own brands on offer to be the driving force behind this business, even abroad. The range of brands offered and the increasing number of own brands have led to the proportion of export commissions with electrical appliances reaching roughly the level of the domestic market.

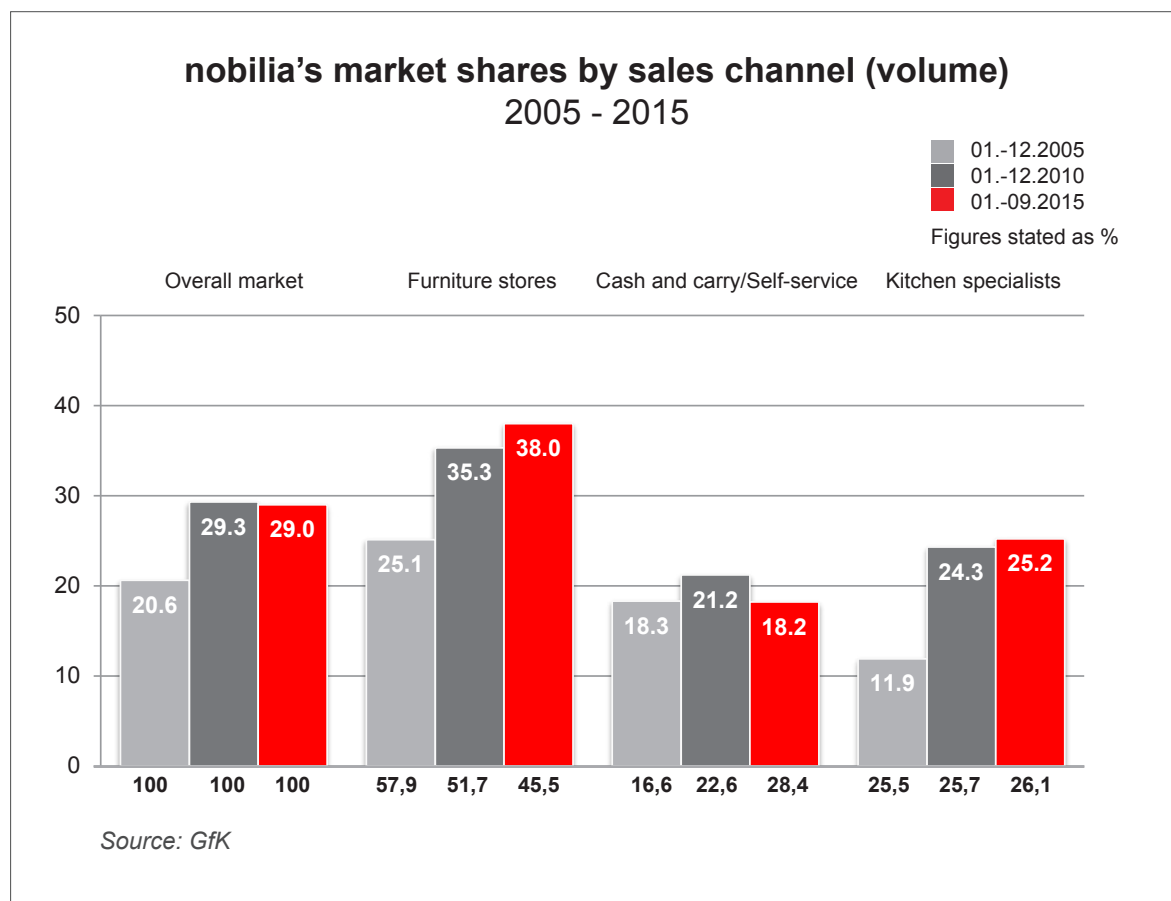
**2.2. nobilia Domestic**

With a value of 591.1 million EUR in 2015, domestic sales were 17.3 million EUR above the total of 573.8 million in 2014. With a growth rate of 3.0%, this development falls within the trend of the respective growth of the market sector. Thus, the domestic sales contributed roughly one quarter to the absolute sales growth of 72.2 million EUR.



The market shares of the domestic market have not significantly changed in comparison to previous years according to the research of the GfK consumer research organisation. They remain unchanged at just under 30 % – in terms of both quantities and values. This means that almost every third kitchen sold in Germany comes from Verl.

In addition to considering the total market, GfK differentiates between the various sales channels of furniture stores, cash and carry/self-service and kitchen specialists. In this context an examination over a longer time period – from 2005 to 2015 – proves very interesting.



In broad terms, around half of the kitchens sold in Germany are sold through furniture stores, whereas the other half is split in relatively equal parts between the sales channels cash and carry/self-service and kitchen specialists.

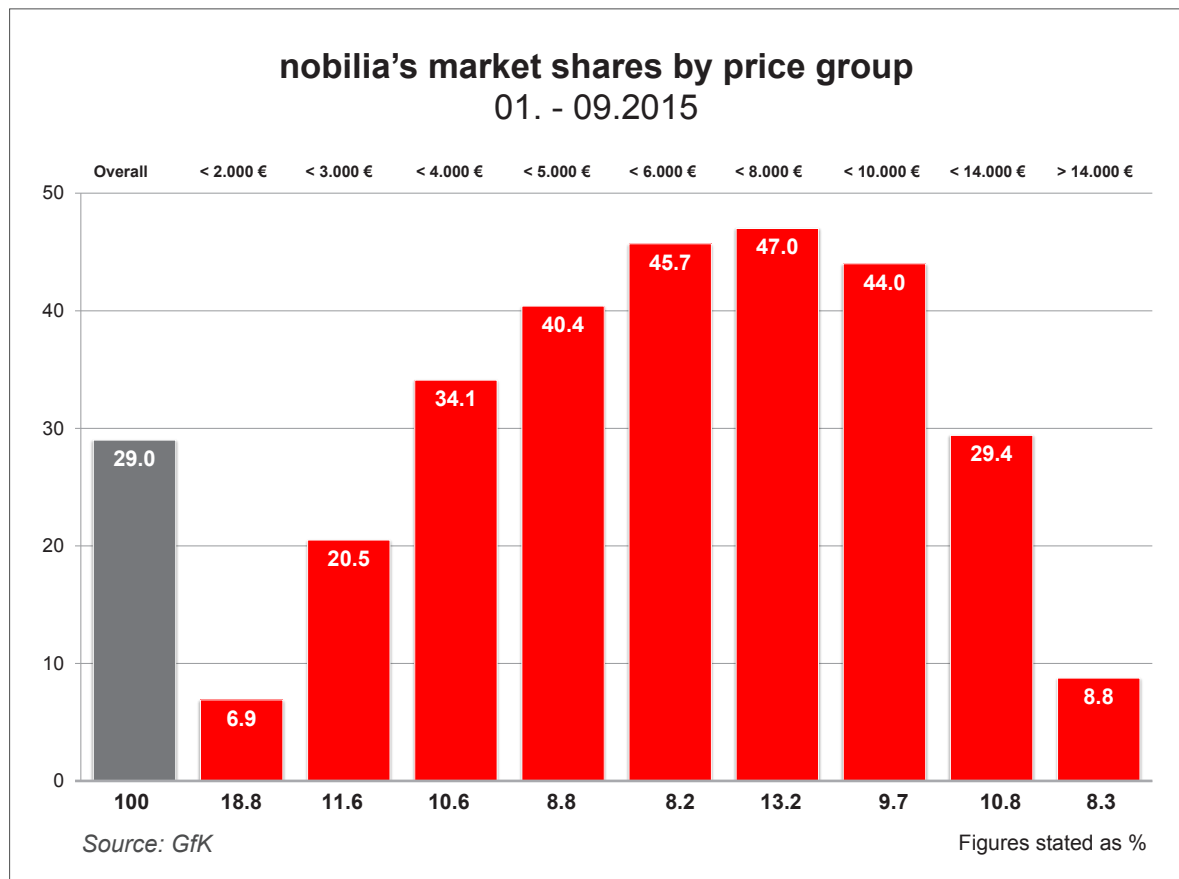
From a long-term perspective, the sales channel via furniture stores, which makes up 38 % of nobilia's market share, remains our company's most important market.

In the sales channel cash and carry/self-service nobilia's market share is at a level of 18.2 % in 2005; in 2010 the market share was even 21.2 %. Regarding the long-term low market shares in this sales channel it should be noted that especially here in the lower price segments, a considerable amount of flat pack products are sold that are not offered by nobilia.

Market share development in the segment of kitchen specialists has been very strong. The long-term view shows that since 2005 nobilia has been able to increase the market share from 11.9 % to 25.2 %. Thus – based on the number of commissions – nobilia also holds the position as market leader in the growing sales channel of kitchen specialists.



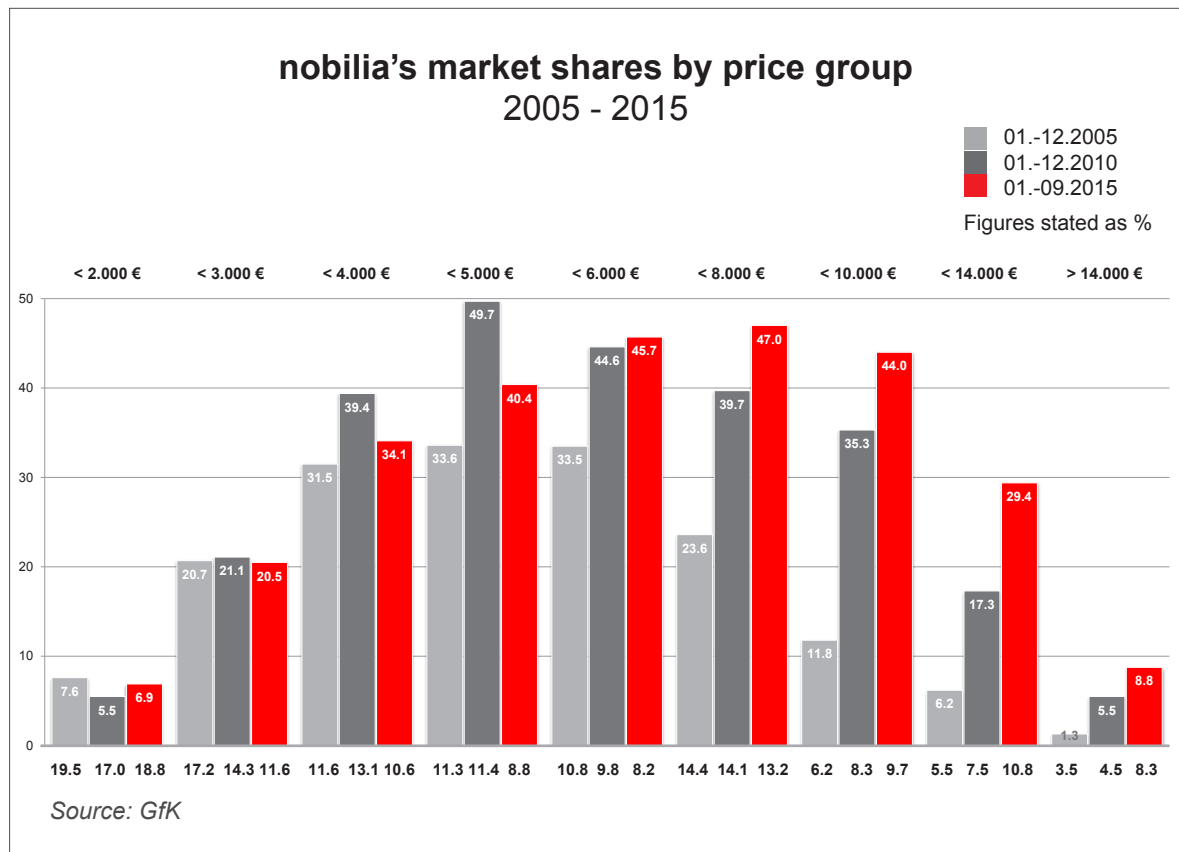
Furthermore, the GfK assessment of the market shares according to price groups is helpful for judging the market position.



In other words, nobilia's market share is small in the lower price segment where a kitchen with electrical appliances costs the end consumer less than 2,000 EUR. This price group is primarily determined by flat pack products, which, as is well-known, nobilia does not offer.

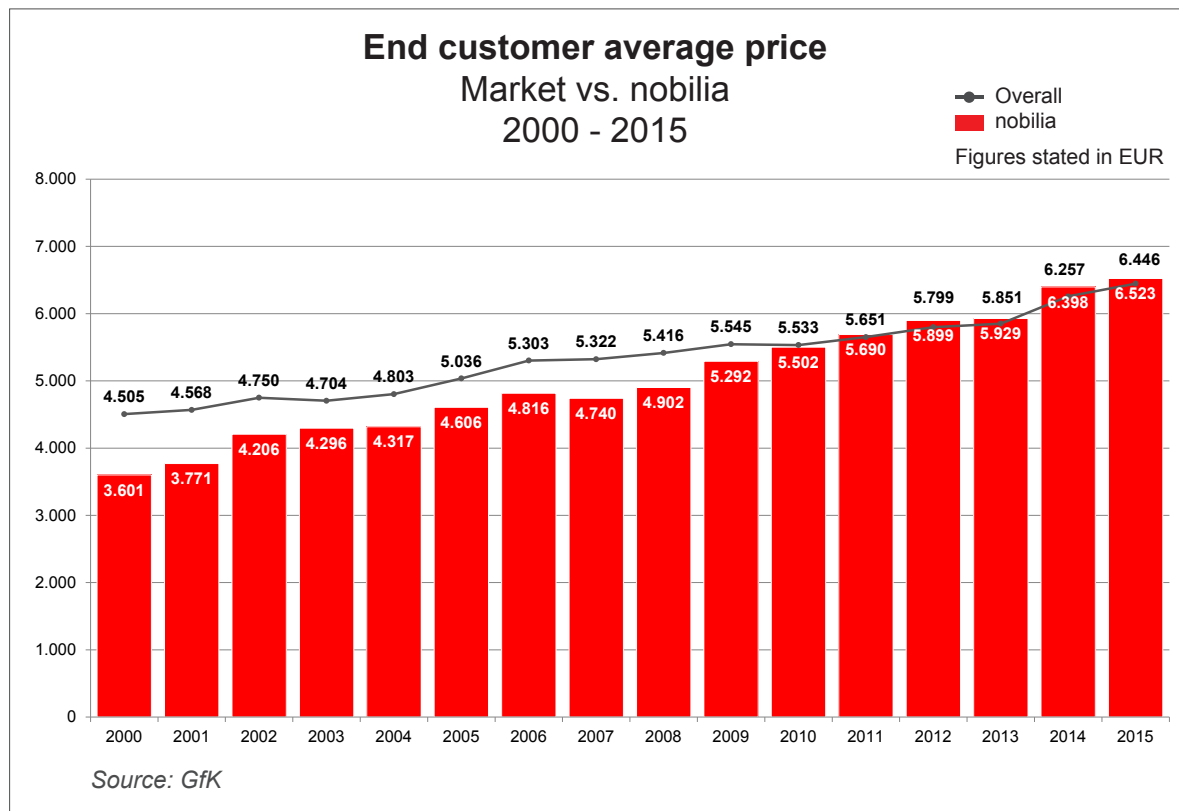
If we look at the data shown by end consumer price groups demonstrates that almost 60 % of all kitchens sold are within a price range of 2,000 EUR up to just below 10,000 EUR. In this context, determination of the nobilia market shares in the individual price groups proves very insightful. The share is low – 6.9 % – in the segment below 2,000 EUR. It increases in the segment from 2,000 EUR to 3,000 EUR to 20.5 % and fluctuates between 34.1 % and 47.0 % in the segment between 3,000 EUR and 10,000 EUR. Dominance in the centre of the market is thus evident.

The long-term development of the market shares based on price groups from 2005 to 2015 shows continual development in the upper price groups.



In 2005 nobilia had the largest market share in the price group between 4,000 EUR and 5,000 EUR. In 2015 the largest market share of 47 % was in the price group between 6,000 EUR and 8,000 EUR. As a result, in this price group, which comprises 13.2 % of all kitchens sold in Germany, almost every second kitchen is produced in Verl by nobilia.

The overall impression of a long-term tendency toward the higher value segments of the market is reflected not only by nobilia, but also in the analysis of the end customer average price since the year 2000.

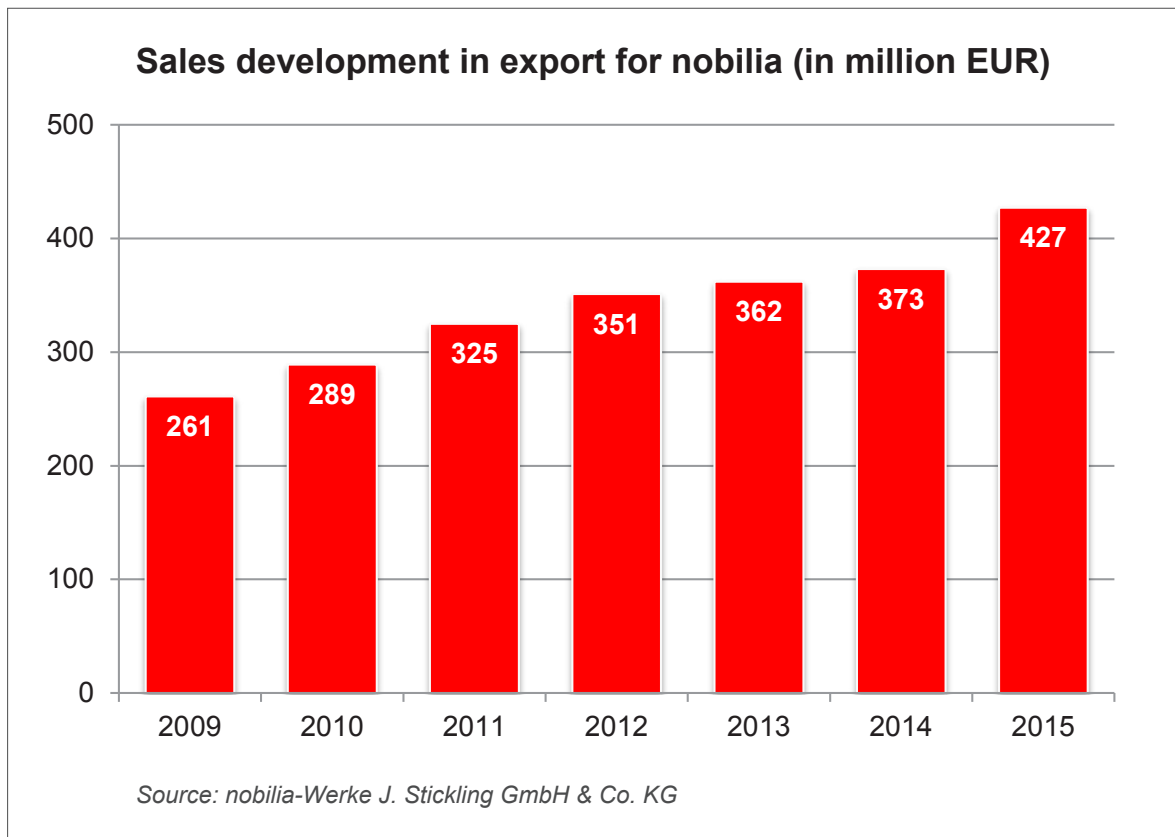


In the market the average price increased from 4,505 EUR in 2000 to 6,446 EUR in 2015. The average price level at nobilia increased during this time period from 3,601 EUR to 6,523 EUR, and thereby has been above that of the market level for five years.

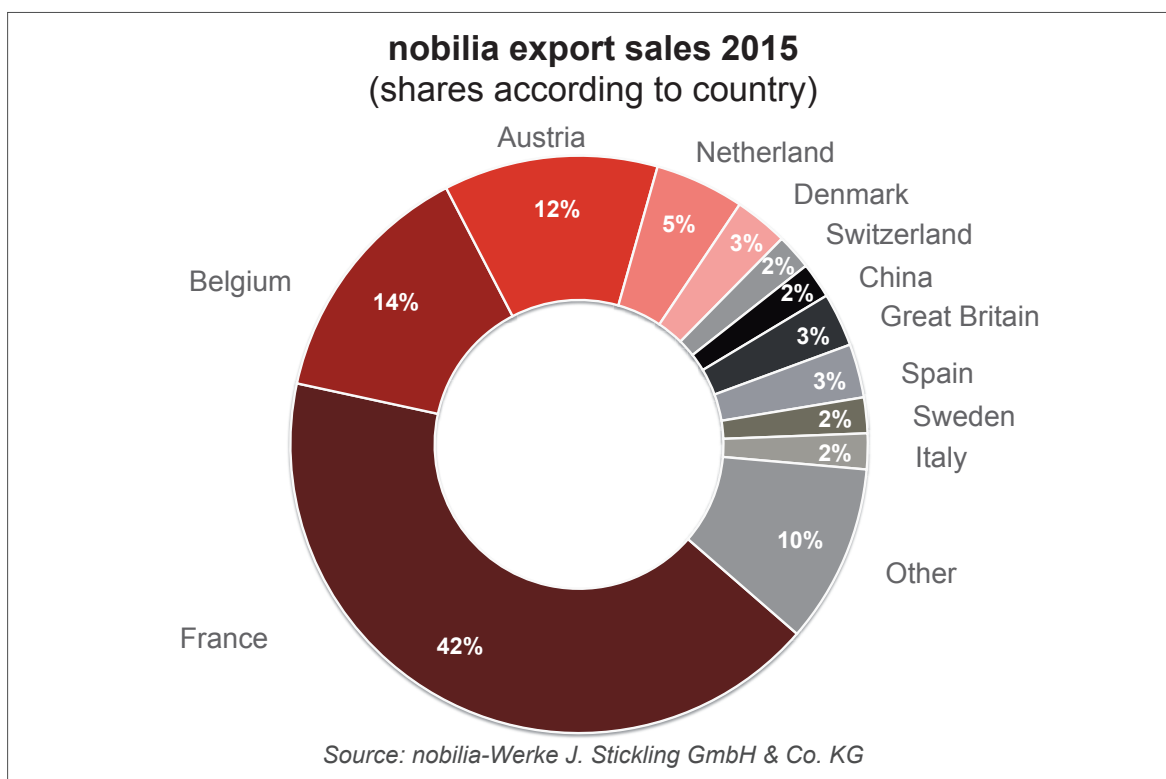
This shows that nobilia has aligned itself parallel to the development of the market and that the market price development just under 30 %, in the end, had a decisive influence.

### 2.3. nobilia Export

Export sales totalling 427.3 million EUR in 2015 exceeded figures from the previous year by 54.8 million EUR – respectively 14.7 %.



nobilia thus experienced above average growth in 2015 in its export sales. The export ratio was 42 % and exceeds the previous year figure of 39 %. nobilia now supplies to more than 80 export markets worldwide – a number that is growing steadily.



A review of the largest export markets does not show any significant changes compared to the previous year. Sales in France dominated nobilias export turnover. The markets in Belgium followed with 14 % and Austria with 12 % share of the overall export turnover.

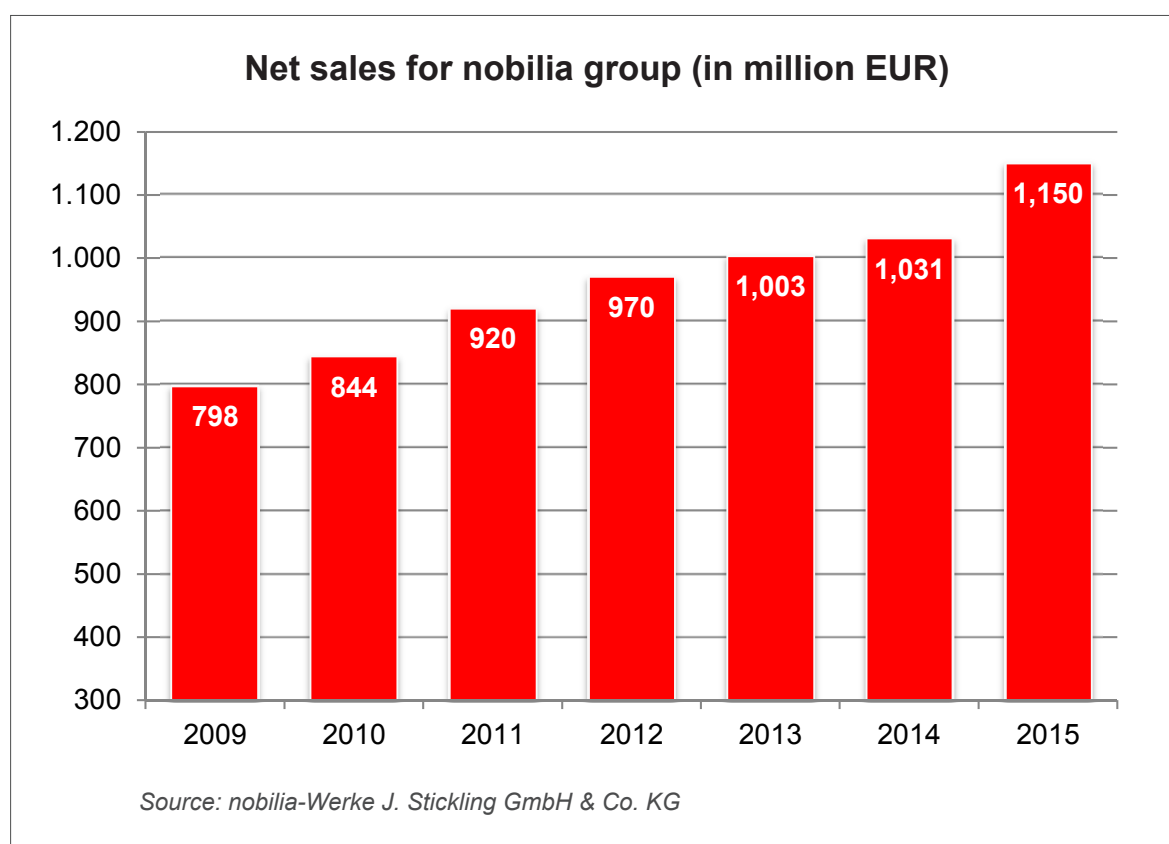
We achieved high growth rates in Great Britain and now also again in Spain – even though both export markets made up only 3 % each of our overall export sales.

### 3. nobilia Company Group

The mainstay of the company, production of kitchens in Verl and the worldwide retail sale of these has been supplemented exclusively abroad with various forms of retailing in past years. In Sweden and England we operate kitchen studios.

In addition, in Belgium we have an interest in a retail chain, which operates in the market with the sales channels èggo and kitchen-market. Furthermore, we are now the majority shareholder in a franchise organisation, which primarily operates with the sales channels Ixina, Cuisine Plus and Cuisines Références and which has more than 350 studios worldwide. The franchise organisation is present in the French and Belgian markets and now also in worldwide export markets.

For the purposes of calculating the company group's sales volume, on the one hand, the intra-group transactions must be eliminated (consolidated) and on the other hand, the ownership structure must be taken into account (apportioned). Furthermore, regarding the franchise organisation, it should be taken into account that only the franchise fees and not the sales revenues are included in the calculation.



In compliance with these principles, sales for the company group amounted to 1,149.8 million EUR. This represents an increase of 118.4 million EUR or 11.5 % in comparison to the previous year's figures of 1,031.4 million EUR.

#### **4. In-house exhibition 2015 and collection 2016**

The new collection, which was unveiled at the in-house exhibition in September 2015, was very well received by the market as well as the visitors. We presented an extensive range of new features in the completely restructured in-house exhibition of nearly 4,000 m<sup>2</sup> with 74 showroom kitchens. With almost 12,300 industry professionals from 52 countries we set a new visitor record.

Under the motto “One kitchen. One solution.” nobilia further expanded its unique competence as a complete supplier for kitchens. The diversity of the collection leaves nothing left to be desired and merges contemporary design with the latest technology and innovative solutions for more convenience. 17 new fronts, five new ranges, eleven new worktop décors, a new generation of flap door fittings in addition to other new features for elements and accessories offer customers a complete package for contemporary and individual kitchen designs.

The new colour families alpine white and slate grey are bang on trend. While white remains a favourite theme of kitchen design, grey is becoming increasingly important as the new basic colour. The ever-present trend toward more homeliness can be wonderfully achieved with our new wood décors. Ontario oak reproduction with its warm colouring, along with the light, subtly grained iconic beech reproduction lend the designs a natural appearance. Furthermore, a new front with the look of concrete provides an interesting and easy to clean material alternative for the kitchen. Additionally, a new cottage style range embodies real value with lacquered genuine wood framed doors in satin grey.

In the new collection, nobilia also addresses the trend toward customising with three new carcass colours and 25 upright colours as well as an expanded Color Concept for even more creative and planning freedom in the product line.

Moreover, nobilia consistently uses technical advances to further improve the ease of use and quality of its kitchens. Because of this, it is now possible for the new flap door fittings to be equipped with electrical opening systems, thus making wall units even more ergonomic and easier to operate.

Its newly organised product range now includes twelve appliance brands, which covers roughly 65 percent of the German appliance market. The brands Bosch and Miele supplement the range, in order to be able to provide more attractive complete marketing even in the upper price segment.

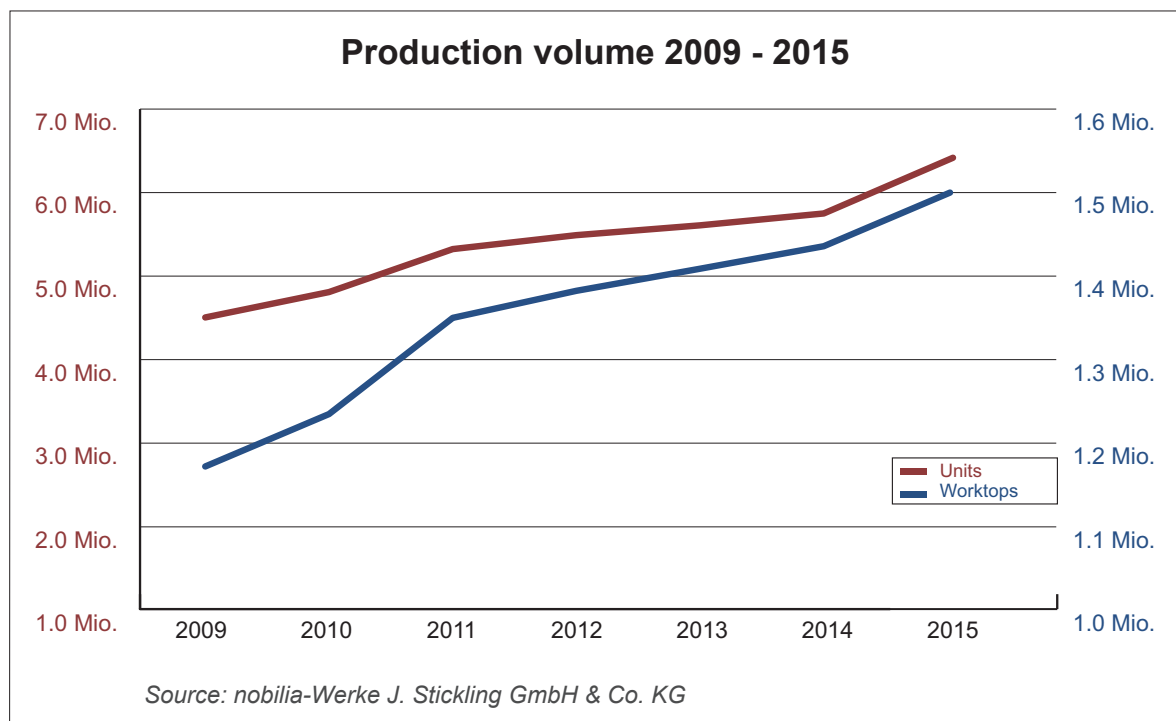
The range of accessories also offers extensive new features. The already vast selection of integrated lighting has been expanded as well as further developed, and the entire lighting collection has been switched over to LED lighting.

The retail market received the new features of the collection with very positive feedback. The high number of orders for showroom display Kitchens received following the in-house exhibition is a reliable indicator that the 2016 collection was well-received by the market. In this respect, we are very optimistic.



**5. Production and investments**

Based on the growth in sales, the technical production volumes in both plants also increased. With roughly 630,000 commissions, approx. 6.3 million units and more than 1.5 million worktops, production volumes reached new peak values.



With a daily production volume of roughly 28,700 units, we have achieved new peak values in the production of wooden parts. With such a volume of output, there should be no doubt that no other place in the world produces more units than East-Westphalian Verl. The Verl-Sürenheide plant produces 16,200 units per working day and the plant in Verl-Kaunitz 12,500.

With the above-mentioned 16,200 units, the plant in Sürenheide has already been working at near maximum capacity for several years now. Accordingly, the growth in volume in 2015 – just as in previous years – was only achieved in the Kaunitz plant.

Including write offs of 35.6 million EUR, a total of 68.7 million EUR was invested in 2015.

The technical focus of the investments in the Sürenheide plant was the replacement of outdated machinery as well as the optimisation of existing production sequences and the associated processes.

At the Kaunitz plant we created additional capacities in the manufacture of parts and commissioned/started-up two new production lines. Moreover, the production halls were expanded in order to construct a warehouse for carcass material and half-size panels as well as a highly automated logistics centre for accessories materials. New staff facilities with a new cafeteria were inaugurated in the summer of 2015 at the Kaunitz plant.

In addition, the introduction of the new flap door fittings AVENTOS involved extensive investments in both plants, since the existing assembly lines had to be converted.

To safeguard and further improve product quality a new technology for automated quality control of front materials was developed.

The remaining investments are related to the area of EDP/IT and the vehicle fleet, for the 26 new motor tractors and 58 new semi-trailers that were purchased.

## **6. Environment and sustainability**

nobilia utilises predominantly wood and thus natural materials, so that a sustainable and forward-looking stewardship of raw materials and resources is compulsory. The various sustainability models all share a common belief that economical success, ecological compatibility and social justice form the basis of sustainable stewardship. In this respect, the measures cover everything from acquisition to production and to delivery of the goods and, they get the employees involved.

nobilia uses its “integrated management system for quality and the environment” as an instrument for the continuous improvement of all our services and activities. The quality of the products and a focus on customer benefits are therefore, essential factors for success. In addition to certification in the area of environmental management, PEFC certification for the use of derived timber products from sustainable forestry and the “Blauen Engel” (environmental label Blue Angel), since 2015 nobilia is authorised to use the emissions label with the best or highest emissions rating of A for free standing cabinets. This means that we allow verification through tests for harmful substances to be performed by independent testing institutes and that our furniture is free from harmful substances and critical emissions.

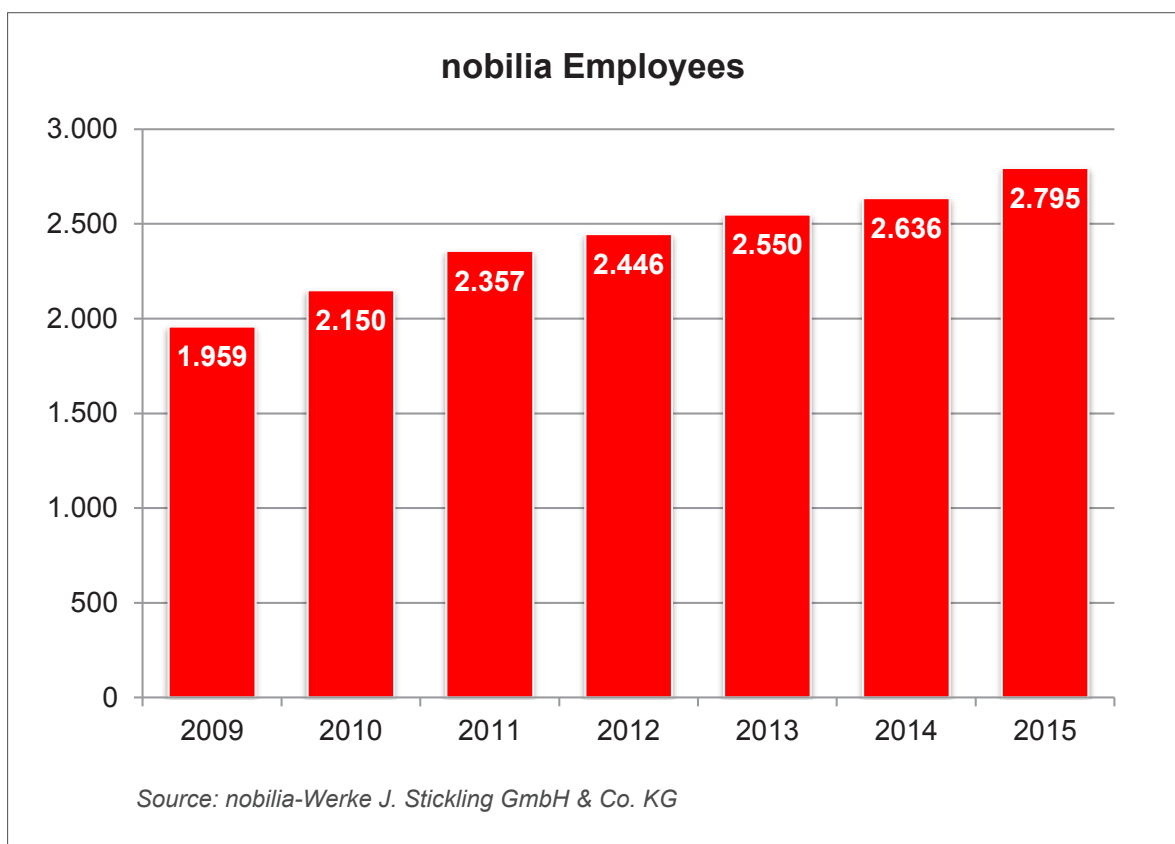
As a manufacturer of 2,870 kitchens per day, nobilia has a proportionately high consumption of resources. Accordingly, responsible stewardship with the resources used is of the utmost ecological and economical importance. In this respect, the cycles of potential recyclables are a further component of a sustainable corporate strategy.

The waste management concept for raw materials and packaging makes provisions for targeted separation of the different recoverable waste fractions, so that the raw materials can be purposefully sent to further processing or recycling. The success of this waste management concept can be determined by the development of the residual waste disposal. In comparison to the previous year, we reduced our residual waste disposal by 20 %, and that is taking into consideration the increased sales and the higher production volume associated therewith.

nobilia has a certified energy management system according to DIN EN ISO 5001 : 2011. With it, efficiency potentials can be more purposefully calculated and analysed. For this reason, a measuring system was comprehensively implemented in both plants to measure point of use, in order to realise further energy efficiency potentials.

## 7. Employees and training

The number of employees increased from 2,636 at the end of 2014 to 2,795 now. More than 300 people were hired in order to replenish the 159 employees in light of normal fluctuations. The majority of the newly hired employees work at the plant in Verl-Kaunitz. The main focus of additional new staff was in the areas of sales and the vehicle fleet.



We also increased the number of trainee positions in 2015 by another five newly created positions for a total of 117. Within the framework of our training programme we attach special importance to a balanced combination of theory, practice and training. Foreign language instruction and the opportunity to experience a stay abroad as part of the training programme, completes the training offerings. Our trainees and dual students in both technical and commercial areas were able to use the offered in-house education to successfully complete their vocational final examinations and prepare for their professional

lives. In 2015 following the successful final examinations, we were able to offer all of the trainees a job with the company.

To strike a better balance between career and family, we not only expanded our offerings of home-office jobs, but in close cooperation with a day care facility for the city of Verl, we also created a new offer for our employees, which involves a select number of childcare slots in the direct vicinity of the company.

Under the motto “nobilia – taking action for health,” and as part of the company’s health management strategy we offered an assortment of presentations on healthy eating habits, courses for smokers trying to quit, massages, running courses and occupational health exams.

In appreciation of its employees’ dedication nobilia made use of the company’s 70th anniversary in 2015 to invite all employees and their entire families to a family day at the Kaunitz plant. Over 7,500 visitors accepted the invitation and used the day to marvel at the many attractions with their children and get a first-hand view of nobilia’s further development on site.

At the end of 2015, in addition to the standard Christmas bonus, every employee received a special bonus in the amount of 2,000 EUR gross. The expenses for the company totalled approx. 5.5 million EUR.

## **8. Expectations and projects 2016**

In 2015, for the 15th time in a row, nobilia was able to successfully increase sales by means of organic growth as well as through our own initiative. The goal for 2016 is to continue on this path of steady growth.

It should be noted here that the mid-to long-term potential for growth on the domestic market is not limited, due to the high level already achieved. The importance of foreign markets will, therefore, increase and the export business will be a significant driver of growth over the next few years. Thus, we will also be considering, to what degree can retail business be operated in select far-away countries alongside contract business and what effects this will have on production of the kitchens sold there.

The continued high level of buying propensity, the minimal capital market returns and the good employment situation will have a positive influence on domestic sales.

Unchanged, the foreign markets still offer multifaceted perspectives. The core markets in Europe are expected to experience positive development. It remains to be seen, however, in what way local crises around the world will impact individual markets, particularly export markets.

In summary, we are looking toward the coming year with cautious optimism and hence, also planning on growing in 2016.

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